

Message Text

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ACTION EB-07

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SUBJECT: BRAZIL'S STEEL EXPANSION PROGRAM: U.S. PARTICIPATION

REF: BRASILIA 6957

1. SUMMARY. EMBOFFS CALLED ON SIDERBRAS SUPERINTENDENT, WILKIE BARBOSA, ON AUGUST 11 TO REVIEW STATUS OF U.S. PARTICIPATION IN BRAZIL'S PHASE III STEEL EXPANSION PROGRAM AND TO INDICATE THE IMPLICATIONS FOR FUTURE U.S. PARTICIPATION SHOULD U.S. FIRMS FAIL AGAIN, AS THEY DID UNDER PHASE II, TO GET A "SIGNIFICANT" PORTION OF THE CONTRACTS. END SUMMARY.

2. EMBOFFS CALLED ON WILKIE BARBOSA, SIDERBRAS SUPERINTENDENT, TO REVIEW THE STATUS OF U.S. PARTICIPATION IN BRAZIL'S PHASE III OF THE STEEL EXPANSION PROGRAM. FINATT REVIEWED THE HISTORY OF U.S. INTEREST IN BRAZIL'S STEEL EXPANSION PROGRAM, HIGHLIGHTING THE VISIT OF THE STEEL TASK FORCE LAST YEAR, EXIMBANK'S LEADERSHIP IN GRANTING 15-YEAR TERMS WHICH BRAZIL STRONGLY DESIRED AND

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WHICH SET THE STAGE FOR OTHER COUNTRIES TO FALL IN

LINE, AND THE IMPORTANCE OF U.S. COMPANIES' SUCCESS IN PHASE III FOR THEIR INTEREST AND PARTICIPATION IN PHASE IV. HE WENT ON TO NOTE THAT U.S. COMPANIES HAD FARED VERY POORLY IN THOSE BIDS GRANTED TO DATE (IN FACT, U.S. COMPANIES HAD NOT WON ANY) AND THAT IT APPEARED THAT, IF THINGS CONTINUED THIS WAY, PHASE III WOULD BE JUST AS BAD AS PHASE II FOR U.S. COMPANIES. RECALLING THAT SOME U.S. FIRMS WERE LESS THAN ENTHUSIASTIC ABOUT JOINING THE TASK FORCE VISIT TO BRAZIL AND PARTICIPATING IN THE BIDDING FOR PHASE III BECAUSE OF THEIR LACK OF SUCCESS UNDER PHASE II, FINATT STATED THAT UNLESS U.S. SUPPLIERS DID BETTER THIS TIME AROUND MANY OF THEM MAY NOT BE PREPARED TO BID ON PHASE IV -- A SITUATION WHICH THE BRAZILIANS WOULD SURELY NOT WISH TO SEE. FURTHERMORE, HE INDICATED THAT IF U.S. PARTICIPATION AGAIN TURNED OUT TO BE MARGINAL IT WOULD PROBABLY BE DIFFICULT NEXT TIME FOR THE EXIMBANK TO TAKE THE LEAD ON SETTING THE TERMS.

3. BARBOSA REPLIED BY OUTLINING THE BIDDING PROCEDURES, INDICATING THAT THESE HAD BEEN AGREED BEFOREHAND AND THAT THEY WERE INTERNATIONALLY ACCEPTED. HE THEN EXPRESSED SURPRISE THAT U.S. COMPANIES HAD DONE SO POORLY -- A FACT WHICH HE WAS APPARENTLY NOT COMPLETELY AWARE OF -- AND CONCURRED WITH THE POSITION THAT U.S. COMPANIES MAY BE RELUCTANT TO PARTICIPATE IN PHASE IV IF THEIR EXPERIENCE UNDER PHASE III WERE NOT SATISFACTORY. BARBOSA WAS APPRECIATIVE OF EXIMBANK'S LEADERSHIP IN SETTLING THE TERMS FOR PHASE III.

4. AS BARBOSA WAS NOT FULLY APPRISED OF THE CURRENT STATUS OF THE BIDDING, HE PROMISED TO LOOK INTO THE MATTER AND SEE WHY U.S. COMPANIES HAVE NOT HAD MORE SUCCESS. HE NOTED IN PASSING THAT HE HAD ALSO RECEIVED COMPLAINTS FROM THE AUSTRIANS AND THE ITALIANS ABOUT THEIR POOR SHOWING IN THE LIMITED OFFICIAL USE

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BIDDING SO FAR. WHEN ASKED WHETHER THE JAPANESE WERE "CLEANING UP", BARBOSA SMILED AND SAID "WELL YOU KNOW THE BIDDING HAS BEEN DONE BY ACCEPTED BIDDING STANDARDS."

5. BARBOSA AGREED TO HAVE ANOTHER MEETING NEXT WEEK (AUGUST 19) WITH THE COMMERCIAL COUNSELOR DURING WHICH HE PROMISED A FULL RUNDOWN OF THE BIDDING

TO DATE AND HOPED TO PROVIDE REASONS FOR THE
LACK OF SUCCESS OF U.S. SUPPLIERS. AS REQUESTED
PARA 5, REFTTEL, EMBASSY WOULD APPRECIATE TALKING
POINTS AND ARGUMENTS WORTH MAKING TO WILKIE
BARBOSA AT THE NEXT MEETING.
CRIMMINS

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